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SUBJECT: CENTRAL BANK OF IRAQ FUNDS IN LEBANESE BANKS

1. (U) This is an action request. Please see para 9.

2. (SBU) SUMMARY: The Central Bank of Iraq (CBI) has reported that despite progress toward the repatriation of CBI funds deposited in banks in Lebanon, the balance of such funds held by banks there is USD 197,858,652.82. The CBI is in communication with each of these banks and has provided documentation of its correspondence to the U.S. Embassy. Ten banks have completed the transfer of funds to the Development Fund for Iraq (DFI). END SUMMARY.

3. (SBU) During the last weekend of November, Sinan Shabibi, governor of the CBI, traveled to Beirut and had a meeting with the governor of the Central Bank of Lebanon, Riad T. Salameh. Upon his return to Baghdad on November 28, Shabibi spoke to the Treasury Attach Office about the meeting. Sinan stated that his Lebanese counterpart assured him that all of the CBI funds in Lebanon would be returned to Iraq but that the Lebanese banks holding CBI balances want to reschedule the payments in a manner not adversely affecting their liquidity. Sinan agreed that the payments could be rescheduled over the next six months.

4. (SBU) Sinan also stated that he would like to discontinue the practice of placing CBI deposits in banks in Iraq and abroad and that he is considering dissolving the CBI Investment Department. Ernst and Young is reviewing the Investment Department and funds held abroad in its current audit of the CBI.

5. (SBU) The following five banks have been most resistant to a transfer of CBI balances to the DFI despite numerous CBI requests:

- Beirut Bank, balance of USD 44,208,491
- Al-Mawrid Bank, balance of USD 29,406,876
- Biblos Bank, balance of USD 11,388,726
- Arabic National, balance of USD 42,187,777
- Beirut Bank and Africa, balance of USD 10,413,441

6. (SBU) The following banks have responded positively to the CBI request and have transferred a part of the CBI funds they were holding to the DFI:

- Franca Bank, last transfer 16 August 2005, remaining balance USD 8,095,742.
- Intercontinental Bank, last transfer 11 October 2005, remaining balance USD 4,197,323.
- Private International Bank, last transfer 28 September 2005, remaining balance USD 6,341,614.
- United Bank, last transfer 1 July 2005, remaining balance USD 590,719.
- Lebanon and the Gulf Bank, last transfer 19 October 2005, remaining balance USD 17,236,801.
- United Credit Bank, last transfer 4 October 2005, remaining balance 5,436,356.
- Al-Madina, last transfer 3 October 2005, remaining balance USD 2,706,365.
- Rafidain Bank Beirut, remaining balance USD 75,740 (transfer date not provided).
- Jamal Trust Bank, last transfer 6 October 2005, remaining balance 15,572,675.

7. (SBU) The following banks have completely transferred the outstanding CBI balances they had to the DFI:

- Al-Etimad Lebanese Bank, final transfer on 30 June

12004.

-- Auda Sardar Bank, final transfer on 1 June 2005.
-- Mediterranean Bank, final transfer 2 June 2005.
-- Lebanon Trade Bank, final transfer on 2 June 2005.
-- Canadian Lebanese Bank, final transfer on 1 July
12005.
-- Al-Lati Bank, final transfer on 5 July 2005.
-- First National Bank, final transfer on 12 August
12005.
-- Lebanese Swiss Bank, final transfer 12 September
12005.
-- Lebanese Syrian Bank, final transfer 14 October
12005.
-- Lebanese Swiss Bank, final transfer 11 Oct 2005.

18. (SBU) CBI's action to recover funds from Lebanese banks have been spurred in part by the ongoing audit of the CBI's books by Ernst and Young. The CBI is under pressure to put its financial house in order. A representative of the U.S. Treasury Attach's Office and the IRS CI Attach have arranged a follow-up meeting with the Investments Department of the CBI in order to assist in tracking the closure of all accounts in Lebanese banks.

19. (SBU) ACTION REQUEST: Embassy Baghdad requests that the Department of State instruct Embassy Beirut to seek the assistance of Central Bank of Lebanon Governor Salameh in the recovery of these assets, according to the agreed extended payment schedule. Embassy Beirut might remind Salameh of the assurances he gave Governor Shabibi that all of Iraq's funds in Lebanon would "soon be returned" to Iraq.

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